

***THE COLORADO DEPARTMENT
OF NATURAL RESOURCES***

***COLORADO DEPARTMENT OF NATURAL RESOURCES
PERFORMANCE PAY
PROGRAM***

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Introduction

History

This introduction highlights the major components of the performance pay system that was developed in response to SB 00-211, which required a new performance pay plan. The performance pay system, which is referred to as “performance pay programs” for individual departments consist of three components: performance management, performance-based pay, and dispute resolution.

The statewide plan was developed under the direction of an Executive Oversight Committee appointed by the Governor’s Office with input from various stakeholders. As this plan is submitted and implemented, the process remains open to refinement and improvement.

Within DNR, representatives from each of its divisions and the executive director’s office participated in reviewing the requirements of the new Performance Pay System that would encompass the overall plan development for the Department. These representatives addressed performance pay allocation and distribution, developing a new planning and evaluation form to reflect the requirements of the new program, new (additional) training requirements for supervisors and the dispute resolution procedures and processes.

One area that the group determined did not have to be revisited was performance management. The performance management planning requirements submitted to General Support Services under the previous program were deemed by the subcommittee members to meet the performance management standards required under the new performance pay program.

The subcommittees will continue to meet to iron out any situations that need to be addressed. The group will communicate directly to all employees regarding all facets of the program.

Program Development

Internal development of the Department’s program was based on input through the use of the various division representatives and other Department employees.

As of this writing there are several elements of the DNR plan that continue to be in a development phase.

- Development of a Department system or tool to track and report performance and performance award distribution. The department is reviewing some software packages for use by DNR that track the numerical ratings for all employees and dollars allocated to the divisions and EDO to include the amount of awards to each eligible employee.
- An agenda and timetable for training managers and supervisors. Additionally, pending the outcome of the department obtaining a pay distribution and tracking/reporting/approval software package, this will also be the on-going development and approval stage for training requirements.
- Continued efforts to review and modify the internal dispute resolution process.

Time Line

Below are some key dates that are relevant to the implementation of the program within the Department. Highlights are:

- January 31, 2001 Submittal of the Plan to GSS that includes the DNR Planning and Performance Evaluation Appraisal Form as Attachment A
- February 26 Personnel Director' public hearings for adoption of Administrative procedures for implementation by July 1, 2001
- March 2001 Core Competencies from GSS
- January 2002 Training of supervisors and managers (Mandatory)
- July 2002 Pay outs under program

Evaluation Cycle

The performance appraisal period selected for DNR is a 12-month period from May 1 to April 30 each year. The performance plan should be completed by the end of the first month during the appraisal period (by May 31).

Specifics are as follows:

- For all divisions in the Department, the performance appraisal period is a 12-month period beginning May 1 and ending on April 30 of each year.

- All performance plans are due on May 31 (or within the first month of employment for new employees). A planning session between the supervisor and employee must occur during this timeframe. Note: Coaching and feedback to employees is required throughout the rating period in order to avoid surprises during the final rating.
- All performance plans are subject to review by an appraisal reviewer.
- All supervisors must conduct at least one documented interim appraisal for each employee during the course of the appraisal period.
- An initial evaluation conference (annual review) between the employee and the supervisor must occur before May 31 to determine employee accomplishments.
- An initial quantitative appraisal is due to the first-line reviewer by May 31.
- The reviewers consider the accuracy and internal equity of initial appraisals and provide direction to supervisors concerning final quantitative appraisals by June 15. Prior to the first level supervisor meeting with the employee(s) the supervisor will submit all evaluations for the work unit to the next higher supervisor/manager who will monitor the quality and consistency of performance ratings before the final rating is provided to the employee(s).
- The supervisor will meet with the employee prior to June 30 to discuss the final quantitative appraisal and the amount of performance pay for which the employee is eligible if applicable.
- At the end of the appraisal cycle HRO will transfer the performance pay information to the EMPL system for transmittal to CPPS (payroll system).
- Final appraisals are due to HRO by June 30.

NOTE: If a supervisor fails to plan and/or evaluate an employee's job performance, a reviewer is responsible for completing the plan and/or evaluation. If the reviewer fails to plan and/or evaluate in a timely manner, the reviewer's supervisor is responsible for completing the plan and/or evaluation and on up the chain of command until the plan and/or rating is completed as required by law. In the event that a supervisor fails to evaluate an employee, by default that employee is deemed to have a rating of "satisfactory" until a final rating can be given.

and Minimum Standards

The Performance Pay Program for DNR will utilize the “Core Competencies” as developed by General Support Services. Employees must receive a pass on each of the “Core Competencies” in order to be considered for a monetary award. Every employee must be rated on these factors, and each factor must be rated as acceptable in order for the employee to be eligible to receive a performance award, regardless of the points received on his/her evaluation.

The factors are considered to be basic requirements common to all DNR employees. Each factor statement must be checked by the supervisor if the employee meets the criteria in a satisfactory manner. For any factor statement(s) that is not checked, a written explanation must be provided to the employee, and the employee will not be eligible to receive any performance award. These factors are “pass/fail.”

The “Core Competencies” are:

- Communication.
- Interpersonal Relations.
- Customer Service.
- Accountability
- Job Knowledge.

All supervisors shall have a factor in their own performance plans that measures and evaluates the effectiveness of their performance management of their employees. Furthermore, all employee performance plans should align with Department/Division goals and objectives.

Accountability and Sanctions

As required in the State PPS Plan failure by any supervisor, including supervisors in the Senior Executive Service (SES), to provide timely plans and evaluations in accordance with established timelines will result in a corrective action and their ineligibility for a performance award. Furthermore, supervisors who fail to complete evaluations within 30 days of the corrective action are subject to CRS 24-50-118 (current statutory requirement for increments of 5-day suspensions for all supervisors failing to provide timely evaluations).

Reporting Requirements

As required by the State Personnel Director, information will be reported by specified deadlines.

Allocation

Allocation is the term used to describe the method whereby the Department apportions the dollars in the DNR Performance Pay Program (PPP) central control appropriations among its Divisions, including the Executive Director's Office (EDO).

After consideration of several alternatives, DNR has decided to allocate funds to Divisions and EDO based on the amount of funds allocated by the Joint Budget Committee of the Colorado Legislature. The DNR Program development committee chose this approach because it is fair, straightforward and simple. It also minimizes problems related to "color of money", in that each Division's PPP monies will include funds only from its own funding sources, whether general, cash, federal, etc.

With the implementation of this approach the following will be applicable:

- Allocation calculations will use existing salary data that are currently available for its employees in calculating the amount of applicable merit increases. Allocations in the first (FY 02-03) payout year will be based on the amount requested in the FY 02-03 budget submission by each Division to cover the payment of performance increases due to eligible employees.
- Allocation will only include permanent employees. No temporary employees will be included in the allocation calculation.
- Funds for Division Directors supervised by the Executive Director will be placed into a separate pool.
- All allocations are limited by the funding limitations and restrictions set by the General Assembly.
- Quotas or forced distribution processes for determining the number of ratings in any of the four performance levels shall not be established.

Distribution

Distribution is the term used to describe the method whereby the individual Divisions (including EDO) divides its allocated pot of PPP money to the employees of that Division.

Most of the parameters of distribution are defined by the State's Performance Pay System document. These include the conditions under which employees at different pay and performance levels are eligible for different types of awards. DNR has developed a distribution model that reflects those parameters, plus our own. DNR will consider adjustments to its distribution model parameters to be used in subsequent payout years based upon our experiences in the first (FY02-03) payout year. The department mandates that the award percentage for each successive higher level performance must be greater than the maximum award percentage for the lower level.

Components of DNR's distribution model, including the State's PPS design criteria, are as follows:

- Level 1 performers will receive no award. A level 1 rating denoting unsatisfactory performance will result in a performance improvement plan **or a** corrective action. In addition, any employee who receives other than an "acceptable" rating on any of the "core competencies" will not be eligible for an award.
- Level 2 and 3 performers will be eligible for awards only if the employee's salary is below grade max for that employee's job class. The minimum award for level 2 must be at greater than 0% and so on.
- Level 4 employees will receive an award, regardless of salary in relation to range maximum. This level represents only those employees who consistently exhibit exceptional performance or achievements beyond the regular assignment. The level of performance required of this level has been considered while this Program was being developed.
- Employees who are at the statutory lid may receive a non-base building award
- No base building award can be granted that results in a base salary that exceeds the pay range maximum.
- DNR level 2 and level 3 employees will receive only base-building awards.
- The minimum award for level 4 performers who are at or above the range maximum shall be zero (0) and the maximum award can be "z%" at the discretion of the appointing authority.
- Regardless of the performance level, an employee cannot be granted an award or combination of awards greater than the set performance award maximum for a specific performance level.
- Base-building awards will be initiated in July 2002 and July of every year thereafter. One-time awards will be paid in July 2002 and in July of every year thereafter.

- DNR defines X to be the amount of award, as a percent of salary, which will be paid to a level 2 employee. DNR defines Y to be the amount of award, as a percent of salary, which will be paid to a level 3 employee. DNR defines Z as the amount of award, as a percent of salary, which will be paid to level 4 employees. It must be equal to or less than the value of Z set by the State Personnel Director. The values of X, Y, and Z will be determined in each Division, and will be a function of the distribution of performance scores and DNR's PPP funding allocation to that Division. The distribution model allows entry of a given amount of PPP allocation pot for a group of employees (typically will be a Division). By adjustment of the value of Y, all of the funds can be distributed, within a few dollars of the allocated amount.
- Neither DNR nor its Divisions will pre-announce values of X, Y, or Z. However, in the first payout year commencing July 1, 2002, DNR has fixed the value of Y to be the value of X plus 25%. Therefore, level 4 employees (Peak Performers) will receive awards that, all other things being equal, are 25% greater than level 3 employees. This design parameter will be applied across all Divisions.
- All distributions of awards are limited by the funding restrictions and limitations imposed by the General Assembly, and by the amount of allocation of the PPP award pot from the Department.
- DNR will provide training and communications to its employees to encourage the use of non-salary and monetary incentives currently available in the state personnel system to supplement salary-based performance awards. Additionally, DNR will communicate that teamwork can be measured as a component of an individual's performance plan and awards (base and non-base) proportioned appropriately.

Payout

DNR has determined, based upon the State PPS document and internal decisions, that the payout process will be conducted as follows in the FY02-03 payout year.

- Performance award payout notification to employees eligible for awards will be provided during the July pay period. At that time, the values of X, Y, and Z' for each Division will be published.
- Performance awards for employees who are eligible for a base building award will receive an adjustment to their monthly pay that begins in July and continues thereafter as a continuing level of that employee's base salary, but with the increase prorated based upon anniversary month (described elsewhere, and in the State PPS document).
- Employees will not have an option concerning the timing of the performance awards payments. All base-building awards will be applied as a single-step increase to base

pay commencing with the July payroll. All one-time awards will be paid as a lump sum to employees receiving them in the July paycheck.

- Awards to level 4 employees may be a combination of base-building and one-time awards, limited only by the statutory salary cap. The maximum amount permitted under the State PPP document will be applied as base building; the balance of the award will be paid as a one-time award in July. If because of salary limitations in a single paycheck the total amount cannot be paid in July, then the residual amount will be carried over into the August payroll for that employee.

Dispute Resolution Internal Process

The Department of Natural Resources worked under the parameters as suggested and outlined by the Performance Pay System, Executive Oversight Committee.

A request for conflict resolution can be initiated within five working days of receipt of or due date of performance plan, appraisal, interim evaluation or reward. A request for conflict resolution is limited to:

- The employee's individual performance plan or lack of plan at the time a plan is due.
- The employee's individual performance rating (final) at the time of the rating. The employee can also dispute the lack of a final evaluation.
- The application of an agency's performance pay program, processes, and policies to the employee
- Disagreement regarding full payment of an award as promised to an employee.

Appeals must be filed in writing with each of the following:

- The employees' supervisor
- The agency's appointing authority
- The Director of Human Resources

Matters that are not reviewable under this process include:

- The contents of the state's and/or agency's performance pay system/program.
- The amount of money allocated to an agency or work unit as part of the performance pay allocation pot.
- The ratings and dollars awarded to other employees (even in support for an issue during the review or appeal).

- The amount of the employee's individual base and non-base performance award. If the amount differs from the agency's established program for awards, the employee can raise the issue under the application of the process and policy as discussed herein.

If assistance is needed by an employee in the process (explanation, writing assistance, etc.), a non-legal advisor can be used. A form to assist employees through the process will be available through the DNR Human Resources Office. DNR's Director of Human Resources will be responsible for reviewing whether the request for conflict resolution falls within the issues deemed appropriate under performance pay. Such decisions shall be rendered by DNR's Director of Human Resources within ten calendar days.

During ten calendar days following the filing of a request for conflict resolution the employee and supervisor are encouraged to pursue resolution through informal processes, including but not limited to:

- Meeting and discussing the issues with the supervisor and/or his/her supervisor.
- Mediation/facilitation utilizing departmental resources.

If the conflict is not resolved between the employee and supervisor, by day fifteen, both parties (the employee initiating the appeal and the supervisor) must designate a panel member and alternate to participate on a three-member dispute resolution panel. The employee's and supervisor's panel member will then collectively select a mutually agreeable third member of the panel by day twenty. If the two members are unable to agree on a third panel member, the Director of Human Resources shall make the selection.

A list of volunteer panel members from within DNR will be available as a resource of volunteer panel members in this process. Any employee of DNR may sit on a panel even if he/she is not on the list. The only employees who may not sit on the dispute resolution panel are employees of DNR's Human Resources Office and appointing authorities or their designees in the appeal process. The primary role of the panel or appointing authority (or the designee) in this process is to review the rater's action in light of the agency's Performance Pay Program and process. The panel may not change the rating, the plan, or the process.

The employee's selected panel member is charged with convening the panel and for making any necessary arrangements (conference calls, meeting rooms, etc.). Oral presentations may be made to the panel if panel members decide they are necessary or useful in assisting them in making a decision.

Panel members do not represent a position, point of view or party in this process. Although their membership on the panel may have been at the choice of one of the disputing parties, their role as panel members is to objectively review the facts of the dispute and render a decision or finding with the other panel members based only on the

information provided to the panel. Ideally, panel members will reach consensus. In the event consensus among all members cannot be reached, a majority decision prevails. If at least two of the members of the panel cannot reach a mutually acceptable finding or decision, the disputing parties have two options:

1. They may agree to convene another panel, or
2. Refer the dispute to the appointing authority (or the appointing authority's designee) for a decision.

The supervisor's written response is due by day fifteen. Copies of this response are due to the employee, the division's appointing authority or designee, and DNR's Director of Human Resources and the panel upon designation.

By day twenty the employee may provide additional written information in response to the supervisor's response to the conflict. Copies are again to be provided to the employee's supervisor, the appointing authority or designee, and DNR's Director of Human Resources.

Between day twenty and day twenty-eight the panel must review submitted statements and if necessary hear oral discussion. By day twenty-eight the panel must render its written decision and deliver it to the employee, the supervisor, all members of the panel, the division's appointing authority or designee and DNR's Director of Human Resources.

The panel's role is limited to the following:

- Review of the rater's judgment or action within the established performance pay process.
- The panel cannot change the rating.
- Consideration of only the facts surrounding the current evaluation.
- Instruction to the rater to follow the plan or process.
- Instruction to the rater to correct an error.
- Instruction to the rater to reconsider a rating or plan.
- Suggesting another process.

The panel's decision is binding among the parties unless the employee desires review of the panel's decision by the appointing authority or his/her designee. Such review must be requested by the employee within three working days of the panel's written decision. A written decision of the review by the appointing authority or his/her designee is due within fourteen days of the panel's decision. The appointing authority or his/her designee's authority in the conflict resolution process is limited to the same parameters as the panel. Copies of this written decision must be filed with the employee, the supervisor and the Director of DNR's Human Resources Office.

General guidelines to be considered within this process are as follows:

- Informal resolution is encouraged and should be sought throughout this process.

- The use of facilitators to assist in clarifying issues or interest, mediators in some instances (e.g. planning and interim appraisal issues), and/or continuing dialogue between the supervisor and the employee, are some of the avenues available to the parties.
- A waiver of deadlines may be granted with each party's mutual consent and agreement of the panel.
- If either party or their representative fails to meet their obligations at any time within the process, the opposing party's position prevails.

External Process

This stage is administered by the state personnel director. Only those original issues involving the application of the department's performance pay program to the individual performance plan and/or evaluation, or full payment of an award may advance to this stage.

- Within five working days from the date of the department's final decision, an employee may file a written request for review with the director at:
 Director
 Attn: Appeals Processing
 1120 Lincoln Street, Suite 1420
 Denver, CO 80230
- The request for external review shall include a copy of the original issue(s) submitted in writing and the department's final decision. The director or designee shall select a qualified neutral third party. The neutral third party has 30 days to issue a written decision that is final and binding. This individual shall not substitute their judgement for that of the rater(s) or for the internal decision makers in the agency.

Representation

Each party represents himself/herself in this process but may have assistance from another person. As set forth in the Department of Personnel's guidelines, no party has an absolute right to legal representation, but may have an advisor present. The parties are expected to represent and speak for themselves. Some participants may need assistance during the process. (For example, not all employees have the ability to clearly present their case in writing.) Therefore, an advisor may assist the party by explaining the process, helping the person clarify and identify issues/concerns, preparing documentation, and attending meetings.

Retaliation against any person involved in the dispute resolution process is prohibited.

Training and Communication

The department will provide mandatory training to managers and supervisors. Additionally, the department will utilize its web site to communicate to all its employees relative to this program.